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February 23, 2004

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 03-129, Boston Edison Company, d/b/a NSTAR Electric

Dear Secretary Cottrell:

Enclosed for filing in the above-referenced matter are the responses to the Information Request set forth on the accompanying list.

Thank you for your attention to this matter.

Sincerely,

Robert N. Werlin

Enclosures

cc: Service List

Responses to Information Requests

Information Request DTE-3-1
Information Request DTE-3-2
Information Request DTE-3-3
Information Request DTE-3-4
Information Request DTE-3-5
Information Request DTE-3-6
Information Request DTE-3-7
Information Request DTE-3-8
Information Request DTE-3-9

Information Request DTE-3-1

Refer to the Company's response to DTE-1-4. Please fully explain why the Company proposes the same maximum interest rate for both fixed and variable rate notes. As part of your answer, identify the "similarly rated securities, historical rate trends and rate forecasts by various investment banks" upon which you relied in determining the requested long-term interest rates.

Response

There is no absolute number that is appropriate for maximum fixed or variable rates. The Company has proposed maximum rates to provide the necessary flexibility into the finance plan to allow the efficient issuance of securities over the two-year period of the finance plan.

As explained in our pre-filed testimony, in the case of variable rate debt, it is necessary to have a maximum variable rate that will allow the interest rate to vary over the life of the debt issue without undue risk to the bondholder that the maximum rate will limit its expected return and undue risk to the Company that the rate could increase without limit. The current market for variable rate debt is limited, primarily to maturities less than five years. However, in 2000, when the Company requested a maximum variable rate of 20 percent (D.T.E. 00-62), there was more of a market for longer-term, variable-rate debt. Obviously, the longer the term of the variable rate debt, the more variable the interest rate conditions will be over the life of the issue. Therefore, it was important to build in more flexibility over the entire life of the security. With a longer variable-term security, the lower the cap on the maximum rate, the more difficult it is to market the security, which could result in a higher effective cost. In today's markets, the 20 percent maximum rate authorized in D.T.E. 00-62 is significantly higher than what the market is currently demanding in view of the shorter term for these types of securities. The 10 percent cap proposed in this case will provide sufficient flexibility to issue the debt without decreased investor demand.

With respect to fixed-rate securities, given that current yields are approximately 200 basis points lower than in late 2000 when the Company filed an application in D.T.E. 00-62, a fixed rate cap of 10 percent (in comparison to the 11 percent authorized in D.T.E. 00-62) is more in line with current market conditions and could accommodate the Company's ability to issue securities through the Financing Plan period.

Please refer to Exhibits BE-5A and BE-5B for historical rate trends. An example of a debt issuance by a similarly rated electric utility is the following:

Date	Utility	Rating	Maturity	30-yr Treasury	Spread	Yield
6/10/03	Consolidated Edison of NY	A1/A	30 yrs	4.26%	.85%	5.11%

Below is an interest rate forecast provided to us by Bank One on May 29, 2003:

5/29/04	5/29/04
3-Month LIBOR	10-Yr. Treasury
1.75%	4.50%

Information Request DTE-3-2

Refer to the Company's response to DTE-1-4. Please compare and contrast the request in the present application for the same maximum interest rate for both fixed and variable rate notes with the request in the Company's application in Boston Edison Company, D.T.E. 00-62 (2000) wherein the Company requested a different maximum interest rate for both fixed and variable rate notes.

Response

Please refer to the response to Information Request DTE-3-1.

Information Request DTE-3-3

Please explain fully the basis of the Company's conclusion that a maximum interest rate of ten percent for variable rate notes is appropriate.

Response

Please refer to the response to Information Request DTE-3-1.

Information Request DTE-3-4

Please explain fully the basis of the Company's conclusion that a maximum interest rate of ten percent for fixed rate notes is appropriate.

Response

Please refer to the response to Information Request DTE 3-1.

Information Request DTE-3-5

Refer to the Company's response to DTE-1-6. The response emphasizes the benefits to the Company from the proposed financing. Please describe the benefits of the proposed financing to the Company's ratepayers.

Response

As described in the response to Information Request DTE-1-6, the primary benefits of the finance plan are to allow the Company to achieve a favorable interest rate and maturity for the particular security being issued. These benefits, as well as the others described in the response, should translate into lower financing costs over the long term. Under traditional ratemaking principles, lower costs result in lower rates for customers.

Information Request DTE-3-6

Refer to the Company's response to DTE-1-7. Please explain why an adjustable rate debt security would most likely be priced off of the three-month London Interbank Offered Rates ("LIBOR") index.

Response

Three-month LIBOR is currently the primary index in the market with respect to variable rate financing.

Information Request DTE-3-7

Refer to the Company's response to DTE-1-12. Please provide the Company's forecast capital structure as of the end of 2005.

Response

The Company's actual capital structure at the end of 2005 will depend upon many variables, such as the actual levels of Debt Issuances, Cash from Operations, Capital Expenditures and Refinancing Activities. Below please find a forecasted capital structure assuming the following:

- $500 million long-term debt issuance
- Capital expenditures of $440m
- Cash from operations of $560m

Forecasted Capital Structure
12/31/05 ($m)

Common Equity	$1,103.4	50.4%
Preferred Equity	43.0	2.0%
Long-term Debt	1,040.0	47.6%
Short-term Debt	0	0%
Total	**$2,186.4**	**100%**

Information Request DTE-3-8

Refer to the Company's response to DTE-1-12. Please explain the procedure and criteria used by the Company to determine what level the short-term debt must reach in order to make a long-term debt financing "efficient". Please provide an illustrative example.

Response

The Company borrows and repays short-term debt on a daily basis to meet its liquidity needs. The Company has a $350 million short-term debt cap approved by the Federal Energy Regulatory Commission. It is neither possible nor efficient to enter into long-term debt instruments each day. Because there are up-front fixed costs associated with a long-term financing (e.g., printing, accounting, and legal fees) it is often cost effective to wait until short-term debt is a sizeable amount before issuing long-term debt. The Company continually monitors short-term and long-term interest rates to determine the optimal time to convert short-term debt into a long-term debt instrument. However, when outstanding short-term debt approaches the short-term debt cap level, the Company must proceed with a long-term debt issuance.

Information Request DTE-3-9

Refer to the Company's response to DTE-1-16. Please explain fully the basis of the Company's conclusion that a maximum term of 40 years is a reasonable maturity period. As part of this response, explain why, for example, the Company decided against using other maximum maturity periods, such as 15, 20, or 30 years.

Response

It is not at all uncommon for a Company to issue debt with a 30-year maturity. In 1993, the Company issued $200 million of debentures which carried a maturity of 30 years (7.80 percent due March 2023). On July 8, 2002, Northern States Power issued $185million of 40-year notes (8 percent coupon). Even though it is very unlikely that the Company would issue debt with a maturity of greater than 30 years, having authority to issue up to 40 years provides the Company with additional flexibility to finance at the most appropriate spot on the yield curve. Additionally, maturities up to 40 years were authorized by the Department in D.T.E. 00-62 (2000).